

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Abraham & Gellray, P.C.</i> <i>Alan M. Stone</i>			Date	

**Township of Westphalia
Clinton County, Michigan**

FINANCIAL STATEMENTS

March 31, 2004

Township of Westphalia

Clinton County, Michigan

March 31, 2004

BOARD OF TRUSTEES

Alden Thelen

Supervisor

Jane Bierstetel

Clerk

Marvin Smith

Treasurer

Daniel Thelen

Trustee

Daniel Pung

Trustee

Township of Westphalia

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ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

Member:
American Institute of
Certified
Public Accountants
and
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Certified Public
Accountants

INDEPENDENT AUDITOR'S REPORT

Members of the Township Board
Township of Westphalia
Westphalia, Michigan

We have audited the accompanying general purpose financial statements of the Township of Westphalia, Michigan as of and for the year ended March 31, 2004, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Westphalia, Michigan as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The individual fund and account group financial statements listed in the Table of Contents under Supplemental Financial Information are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Township of Westphalia, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

May 4, 2004

GENERAL PURPOSE FINANCIAL STATEMENTS

Township of Westphalia

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUP

March 31, 2004

	Governmental Fund Types		Fiduciary Fund Types
	General	Special Revenue (Fire Department)	Trust and Agency (Current Tax Collections)
ASSETS			
Cash	\$ 116,512	\$ 132,927	\$ 1,875
Investments	207,239	86,384	-
Accounts receivable	3,408	4,900	-
Due from other governmental units - Local	1,786	2,083	-
Due from other funds	1,875	385	-
Fixed assets	-	-	-
TOTAL ASSETS	<u>\$ 330,820</u>	<u>\$ 226,679</u>	<u>\$ 1,875</u>
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable	\$ 3,400	\$ 2,395	\$ -
Due to other funds	385	-	1,875
TOTAL LIABILITIES	3,785	2,395	1,875
FUND EQUITY			
Investment in general fixed assets	-	-	-
Fund balance			
Unreserved			
Undesignated	327,035	224,284	-
TOTAL FUND EQUITY	327,035	224,284	-0-
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 330,820</u>	<u>\$ 226,679</u>	<u>\$ 1,875</u>

See accompanying notes to general purpose financial statements.

Account Group

<u>General Fixed Assets</u>	<u>Total (Memorandum Only)</u>
\$ -	\$ 251,314
-	293,623
-	8,308
-	3,869
-	2,260
<u>546,616</u>	<u>546,616</u>
<u>\$ 546,616</u>	<u>\$ 1,105,990</u>

\$ -	\$ 5,795
<u>-</u>	<u>2,260</u>
-0-	8,055
546,616	546,616
<u>-</u>	<u>551,319</u>
<u>546,616</u>	<u>1,097,935</u>
<u>\$ 546,616</u>	<u>\$ 1,105,990</u>

Township of Westphalia

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

	General	Special Revenue (Fire Department)	Total (Memorandum Only)
REVENUES			
Taxes	\$ 55,014	\$ 78,273	\$ 133,287
Intergovernmental	97,414	63,000	160,414
Charges for services	16,572	9,150	25,722
Interest and rents	7,363	2,483	9,846
Other	3,385	6,682	10,067
TOTAL REVENUES	179,748	159,588	339,336
EXPENDITURES			
General government	70,028	-	70,028
Public safety	-	118,812	118,812
Public works	105,306	-	105,306
Health and welfare	10,331	-	10,331
TOTAL EXPENDITURES	185,665	118,812	304,477
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(5,917)	40,776	34,859
Fund balances, beginning of year	332,952	183,508	516,460
Fund balances, end of year	\$ 327,035	\$ 224,284	\$ 551,319

See accompanying notes to general purpose financial statements.

Township of Westphalia

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUND TYPES

Year Ended March 31, 2004

	General Fund		
	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$ 68,000	\$ 55,014	\$ (12,986)
Intergovernmental	100,000	97,414	(2,586)
Charges for services	20,000	16,572	(3,428)
Interest and rents	1,500	7,363	5,863
Other	1,500	3,385	1,885
TOTAL REVENUES	191,000	179,748	(11,252)
EXPENDITURES			
General government	86,200	70,028	16,172
Public safety	-	-	-0-
Public works	130,400	105,306	25,094
Health and welfare	6,000	10,331	(4,331)
TOTAL EXPENDITURES	222,600	185,665	36,935
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(31,600)	(5,917)	25,683
Fund balances, beginning of year	332,952	332,952	-0-
Fund balances, end of year	<u>\$ 301,352</u>	<u>\$ 327,035</u>	<u>\$ 25,683</u>

See accompanying notes to general purpose financial statements.

Special Revenue Fund (Fire Department)

Budget	Actual	Variance Favorable (Unfavorable)
\$ 76,000	\$ 78,273	\$ 2,273
-	63,000	63,000
4,500	9,150	4,650
500	2,483	1,983
3,000	6,682	3,682
84,000	159,588	75,588
-	-	-0-
76,500	118,812	(42,312)
-	-	-0-
-	-	-0-
76,500	118,812	(42,312)
7,500	40,776	33,276
183,508	183,508	-0-
<u>\$ 191,008</u>	<u>\$ 224,284</u>	<u>\$ 33,276</u>

Township of Westphalia

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS, FUND TYPES, AND ACCOUNT GROUP

Westphalia Township, Michigan was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township is one of sixteen (16) townships in Clinton County. The Township operates under an elected Township Board which consists of a Supervisor, Clerk, Treasurer, and two trustees, and provides services to its residents in many areas including fire protection, roads, and planning.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, The Financial Reporting Entity; and Statement on Michigan Governmental Accounting and Auditing No. 5, these financial statements present all financial activities of the Township of Westphalia (primary government). The Township has no activities that would be classified as component units.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the general purpose financial statements of Westphalia Township contain all the funds and account groups controlled by the Township Board.

2. Basis of Presentation

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds and account group reported in the financial statements are categorized and described as follows:

GOVERNMENTAL FUND TYPES

- a. General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. Special Revenue Fund (Fire Department) - The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

FIDUCIARY FUND TYPE

- a. Agency Fund (Current Tax Collections) - The Agency Fund is used to account for assets held by the Township as an agent for individuals, other organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

ACCOUNT GROUP

- a. General Fixed Assets Account Group - The General Fixed Assets Account Group is used to maintain control and cost information for all fixed assets.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township conform to accounting principles generally accepted in the United States of America as applicable to Townships. The following is a summary of the more significant accounting policies:

1. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus only current assets and current liabilities generally are included on the Balance Sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for agency funds since assets equal liabilities.

2. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

All governmental and agency funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). Revenues are generally considered available when they are received in cash (unless legally restricted to some future period) or when earned and expected to be collected soon enough after year end to pay liabilities of the current period. Significant revenues susceptible to accrual include certain intergovernmental revenues and charges for services. Most State intergovernmental revenues (i.e., income taxes, sales taxes, Act 51 funds), licenses and permits, fines and forfeits, and miscellaneous revenue sources generally are recorded as revenues when received in cash because they are not measurable until actually received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. The major exception to this general rule is principal and interest on general long-term debt which is recognized when due.

3. Budgets and Budgetary Accounting

The General and Special Revenue Fund budgets shown in the financial statements were prepared on a basis not substantially different than the basis used to reflect actual results.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to April 1, the budget is legally adopted on a departmental (activity) level through passage of a Board resolution. After the budget is adopted, any transfers of budgeted amounts between activities or any revisions that alter the total expenditures of the fund or activity must be approved by the Township Board.
- b. Formal budgetary integration is employed as a management control device during the year.
- c. The Township does not employ encumbrance accounting as an extension of formal budgetary integration. Appropriations unused at March 31 are not carried forward to the following fiscal year.
- d. Budgeted amounts are reported as originally adopted or amended by the Township Board during the year. The amendments to the originally adopted budgets were not material.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Cash and Investments

Cash consists of checking accounts. Investments consist of certificates of deposit with original maturities of greater than 90 days.

5. Property Tax

The Township of Westphalia bills and collects both its own property tax levy and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph:

Property taxes are levied annually on December 1, and are payable through February 14. All taxes not paid by February 14 are deemed delinquent. Delinquent real property taxes are turned over to the Clinton County Treasurer on March 1. The Clinton County Treasurer remits payment to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection. Property taxes are recognized as revenues in the period for which they are levied.

The Township is permitted to levy up to \$1 per \$1,000 of assessed valuation for general governmental services and additional amounts for fire operations. For the year ended March 31, 2004 the Township levied .9666 and 1.4670 mills per \$1,000 of assessed valuation for general governmental services and fire operations respectively. The total taxable value for the 2003 levy for property within the Township was \$53,524,793.

6. Fixed Assets

The accounting and reporting treatment applied to the fixed assets associated with a fund is determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets (expendable available financial resources) and current liabilities (those expected to be liquidated with expendable financial resources) are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources".

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group rather than in governmental funds. The general fixed assets are recorded as expenditures at the time of purchase in the governmental fund types. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings including roads, bridges, streets and sidewalks, and drainage systems are not capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair market value on the date donated.

7. Comparative Data

Comparative data for the General and Special Revenue Funds has been presented in the accompanying financial statements in order to provide an understanding of changes in the Funds' financial position and operations.

8. Total Columns on Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or changes in financial position in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Township of Westphalia

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

NOTE C: CASH AND INVESTMENTS

In accordance with Michigan Compiled Laws, the Township is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or any agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

The Township's cash and investments at March 31, 2004, are composed of the following:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash		
Checking accounts	\$ 251,314	\$ 257,696
Investments		
Certificates of deposit	<u>293,623</u>	<u>293,623</u>
	<u>\$ 544,937</u>	<u>\$ 551,319</u>

Deposits of the Township are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Township. As of March 31, 2004, the Township accounts were insured by the FDIC for \$286,383, and the amount of \$264,936 was uninsured.

Due to significantly higher cash flows at certain periods during the year, the amount the Township held as cash increased significantly. As a result, the amount of uninsured and uncollateralized cash was substantially higher at these peak periods than at year end.

Township of Westphalia

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

NOTE D: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at March 31, 2004 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General		General	
Trust and Agency		Special Revenue	
Current Tax	\$ 1,875	Fire Department	\$ 385
Special Revenue		Trust and Agency	
Fire Department		Current Tax	
General	385	General	1,875
	<u>\$ 2,260</u>		<u>\$ 2,260</u>

NOTE E: GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	<u>Balance Apr. 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Mar. 31, 2004</u>
Buildings and grounds	\$ 84,762	\$ -	\$ -	\$ 84,762
Furniture and equipment	13,739	-	-	13,739
Fire trucks and equipment	<u>424,115</u>	<u>64,000</u>	<u>40,000</u>	<u>448,115</u>
	<u>\$ 522,616</u>	<u>\$ 64,000</u>	<u>\$ 40,000</u>	<u>\$ 546,616</u>

NOTE F: RETIREMENT PLAN

The Township of Westphalia is the sponsor of a retirement plan for the sole benefit of its employees. The Township of Westphalia Pension Plan is a money purchase defined contribution pension benefit plan. Contributions are based on an employee's annual calendar year compensation. During the year ended March 31, 2004, the Township of Westphalia made contributions for all participating employees of 7% per employee, with the participating employees required to contribute 7% each.

All Township employees are eligible to participate in the plan. All eligible employees, except Board of Review members, participate in the plan. The contributions fund the premiums for Individual Deferred Annuity policies with the Travelers Insurance Company through Municipal Retirement Systems, Inc.

For the year ended March 31, 2004, the Township of Westphalia had a total payroll of \$57,620. The Township of Westphalia Retirement Plan covered payroll for the period ended March 31, 2004 of \$56,816. The Township of Westphalia made contributions for the 2003 plan year to the retirement plan in the amount of \$4,094.

NOTE G: RISK MANAGEMENT

The Township is exposed to various risks of loss including accidental death, dismemberment, disability; medical expense benefit; errors and omissions; blanket accident; firefighter accident; and workers' compensation for which the Township carries commercial insurance.

Township of Westphalia

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

NOTE G: RISK MANAGEMENT - CONTINUED

The Township also participates in a pool, the Michigan Township Participating Plan, with other municipalities for property, liability, wrongful acts, auto, crime, in-land marine, and bonding losses. The pool is organized under Public Act 138 of 1982, as amended. The Township has no liability for additional assessments based on the claims filed against the pool nor do they have any right to dividends.

NOTE I: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

In the body of the combined financial statements, the Township's budgeted expenditures in the General and Special Revenue Funds have been shown at the functional classification level. The approved budgets of the Township have been adopted at the activity level.

During the year ended March 31, 2004, the Township incurred expenditures in the General and Special Revenue Funds in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Health and Welfare			
Ambulance	\$ 6,000	\$ 10,331	\$ 4,331
Special Revenue			
Public Safety	76,500	118,812	42,372

NOTE J: GASB STATEMENT NO. 34

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (Statement). Certain of the significant changes in the Statement include the following:

For the first time the financial statements will include:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Township's activities, including reporting infrastructure assets (roads, bridges, etc.).
- A change in the fund financial statements to focus on the major funds.

The general provisions of GASB Statement No. 34 must be implemented by the Township of Westphalia no later than the fiscal year ending March 31, 2005; the retroactive reporting of infrastructures, if any, is optional, but if implemented, it must be implemented no later than the year ending March 31, 2009.

SUPPLEMENTAL FINANCIAL INFORMATION

Township of Westphalia

General Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

Year Ended March 31, 2004
With Actual Amounts for Year Ended March 31, 2003

	Amended Budget	2004 Actual	Variance Favorable (Unfavorable)	2003 Actual
REVENUES				
Taxes				
Current tax levy	\$ 68,000	\$ 54,966	\$ (13,034)	\$ 50,502
Trailer tax	-	48	48	48
Total taxes	68,000	55,014	(12,986)	50,550
Intergovernmental - State				
State shared revenue				
Sales tax	100,000	97,414	(2,586)	105,468
Charges for services				
Ambulance runs	6,000	5,480	(520)	7,197
Administrative fees	14,000	11,092	(2,908)	13,809
Total charges for services	20,000	16,572	(3,428)	21,006
Interest and rents				
Interest	500	5,673	5,173	4,847
Rents	1,000	1,690	690	1,008
Total interest and rents	1,500	7,363	5,863	5,855
Other revenue				
Refunds and reimbursements	500	2,535	2,035	2,982
Miscellaneous	1,000	850	(150)	690
Total other	1,500	3,385	1,885	3,672
TOTAL REVENUES	191,000	179,748	(11,252)	186,551
EXPENDITURES				
General government				
Township board	3,000	2,400	600	2,400
Supervisor - wages	10,500	9,000	1,500	9,000
Clerk and Deputy - wages	10,500	9,300	1,200	9,380
Treasurer and Deputy - wages	12,000	11,960	40	9,300

Township of Westphalia

General Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - CONTINUED

Year Ended March 31, 2004
With Actual Amounts for Year Ended March 31, 2003

	Amended Budget	2004 Actual	Variance Favorable (Unfavorable)	2003 Actual
EXPENDITURES - CONTINUED				
General government - continued				
Board of Review - wages	\$ 600	\$ 504	\$ 96	\$ 738
Assessor - contracted services	12,500	11,925	575	11,959
Other				
Supplies		605		948
Insurance		4,766		4,149
Pension		2,278		2,108
Other		11,894		10,366
Contributions		800		2,300
Payroll taxes		1,070		1,039
Total other	26,100	21,413	4,687	20,910
Elections				
Salary and wages		-		1,683
Supplies		2,008		2,351
Advertising		-		402
Other		40		467
Total elections	3,500	2,048	1,452	4,903
Township hall				
Utilities		862		1,434
Supplies		126		281
Telephone		490		523
Total township hall	7,500	1,478	6,022	2,238
Total general government	86,200	70,028	16,172	70,828
Public works				
Drains				
Drains at large	68,000	61,831	6,169	1,951
Highways and streets				
Maintenance and repairs	62,400	43,475	18,925	79,538
Total public works	130,400	105,306	25,094	81,489
Health and welfare				
Ambulance	6,000	10,331	(4,331)	11,256

Township of Westphalia

General Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - CONTINUED

Year Ended March 31, 2004
With Actual Amounts for Year Ended March 31, 2003

	<u>Amended Budget</u>	<u>2004 Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>2003 Actual</u>
TOTAL EXPENDITURES	<u>\$ 222,600</u>	<u>\$ 185,665</u>	<u>\$ 36,935</u>	<u>\$ 163,573</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(31,600)	(5,917)	25,683	22,978
Fund balance, beginning of year	<u>332,952</u>	<u>332,952</u>	<u>-0-</u>	<u>309,974</u>
Fund balance, end of year	<u><u>\$ 301,352</u></u>	<u><u>\$ 327,035</u></u>	<u><u>\$ 25,683</u></u>	<u><u>\$ 332,952</u></u>

Township of Westphalia

Special Revenue Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE BY FUND - BUDGET AND ACTUAL

Year Ended March 31, 2004

With Actual Amounts for Year Ended March 31, 2003

Fire Department

	<u>Budget</u>	<u>2004 Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>2003 Actual</u>
REVENUES				
Taxes	\$ 76,000	\$ 78,273	\$ 2,273	\$ 76,733
Intergovernmental - Federal	-	63,000	63,000	-
Charges for services	4,500	9,150	4,650	10,800
Interest	500	2,483	1,983	1,588
Other	3,000	6,682	3,682	2,909
TOTAL REVENUES	84,000	159,588	75,588	92,030
EXPENDITURES				
Public safety				
Salaries		24,156		23,215
Payroll taxes		376		323
Pension expenses		1,816		1,659
Insurance		8,870		7,755
Repairs and maintenance		2,475		5,458
Telephone		911		909
Training		750		-
Supplies		9,398		6,407
Utilities		952		885
Capital outlay		66,700		-
Other		2,408		128
TOTAL EXPENDITURES	76,500	118,812	(42,312)	46,739
EXCESS OF REVENUES OVER EXPENDITURES	7,500	40,776	33,276	45,291
Fund balance, beginning of year	183,508	183,508	-0-	138,217
Fund balance, end of year	<u>\$ 191,008</u>	<u>\$ 224,284</u>	<u>\$ 33,276</u>	<u>\$ 183,508</u>

Township of Westphalia

Agency Fund

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Year Ended March 31, 2004

Current Tax Collections Fund

	Balance Apr. 1, 2003	Additions	Deductions	Balance Mar. 31, 2004
ASSETS				
Cash	<u>\$ 676</u>	<u>\$ 1,381,452</u>	<u>\$ 1,380,253</u>	<u>\$ 1,875</u>
LIABILITIES				
Due to other funds				
General	\$ 676	\$ 65,039	\$ 63,840	\$ 1,875
Special Revenue Funds	-	76,198	76,198	-0-
Due to other governmental units				
County				
State Education Tax	-	259,762	259,762	-0-
Other	-	345,314	345,314	-0-
Pewamo-Westphalia Schools	-	382,274	382,274	-0-
Grand Ledge Schools	-	27,819	27,819	-0-
Portland Schools	-	6,134	6,134	-0-
St. Johns Schools	-	2,755	2,755	-0-
Lansing Community College	-	18,235	18,235	-0-
Clinton County RESA	-	167,005	167,005	-0-
Eaton Intermediate Schools	-	18,666	18,666	-0-
Ionia Intermediate Schools	-	3,534	3,534	-0-
Grand Ledge Library	-	5,601	5,601	-0-
Due to individuals and agencies	<u>-</u>	<u>3,116</u>	<u>3,116</u>	<u>-0-</u>
TOTAL LIABILITIES	<u>\$ 676</u>	<u>\$ 1,381,452</u>	<u>\$ 1,380,253</u>	<u>\$ 1,875</u>

Township of Westphalia

STATEMENT OF GENERAL FIXED ASSETS

March 31, 2004

ASSETS

Buildings and grounds	\$ 84,762
Furniture and equipment	13,739
Fire trucks and equipment	<u>448,115</u>

TOTAL ASSETS	<u><u>\$ 546,616</u></u>
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INVESTMENTS IN GENERAL FIXED ASSETS	<u><u>\$ 546,616</u></u>
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Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA

Karen A. Roka, CPA
James A. Huguelet, CPA
Alan D. Panter, CPA
William I. Tucker IV, CPA
Kurt M. Lemmen, CPA



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

Member:
American Institute of
Certified
Public Accountants
and
Michigan Association of
Certified Public
Accountants

MANAGEMENT LETTER

To the Members of the Township Board
Township of Westphalia
Westphalia, Michigan

Dear Ladies/Gentlemen:

As you know, we recently completed our audit of the records of the Township of Westphalia, Michigan for the year ended February 29, 2004. In connection with the audit, we feel that certain changes in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the accounting and administrative functions. These suggestions are the result of our evaluation of the internal control structure and our discussions with management.

1. The Township should review various areas of operation and consider additional segregation of duties.

During our consideration and assessment of fraud risk, we noted that the Township may not have sufficient segregation of duties in its accounting structure. The intent of internal control is to assure that no one individual is able to control all aspects of a transaction cycle (i.e., receipts, disbursements, utility billing, etc.).

While this is a common occurrence in small organizations due to the limited number of employees, the Township Board should realize that a greater risk in safeguarding assets exists if duties and responsibilities are not appropriately arranged and separated.

We suggest that the Township review various areas of operation and consider additional segregation of duties. If duties cannot be adequately segregated due to the limited number of employees, we suggest the Township Board provide a greater review and supervision of employee functions and procedures.

2. Budgets should be monitored and amended prior to expenditure of funds when necessary.

As noted in the annual financial statements, some of the budgeted activities of the Township exceeded the amounts appropriated.

The Michigan Public Act 621 of 1978, as amended, provides that the Township adopt formal budgets for applicable Special Revenue Funds and shall not incur expenditures in excess of the amounts appropriated.

We suggest the Township monitor expenditures against the adopted budget on a periodic basis, preferable monthly.

3. The Township should escheat unclaimed property to the State of Michigan.

During our audit, it was noted that the Township had outstanding checks listed on the General Fund Tax bank reconciliation that were more than a year old. The Michigan Public Act 29 of 1995 provides that the Department report and escheat unclaimed property to the State of Michigan.

We suggest the Township attempt to contact the payees in an effort to clear old outstanding checks. In the event that the rightful property owners cannot be located, we suggest the Township review their unclaimed property and escheat funds to the State of Michigan as necessary.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the general purpose financial statements and this report does not affect our report on the general purpose financial statements dated May 4, 2004.

This report is intended solely for the use of management and the Township Board of the Township of Westphalia, Michigan and should not be used for any other purpose. We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

May 4, 2004